



County of Los Angeles  
Department of Mental Health

Network Providers Transition Project  
(CPTP)

Electronic Data Interchange (EDI)  
BASICS

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## **Electronic Data Interchange (EDI) For Network Providers**

### **1 What is EDI?**

Electronic data interchange (EDI) provides the capability to exchange electronic transactions in a standardized format between two payers. The concept involves defining a standard format for the transmission and the receipt of data such as claims, eligibility requests, remittance advice data and other clinical data. Simply put, it is the sending and receiving of information using computer technology.

Even though there are EDI standards, each organization may want to include information that is specific to their organization or may have added their own interpretation to the data. As with any form of communication, we want to avoid misinterpreting what is being said. The same applies to communications between computers.

### **2 Why Do I Need to Use EDI for Los Angeles County DMH?**

The Health Insurance Portability and Accountability Act (HIPAA) of 1996 required health insurance payers in the United States to comply with electronic data interchange (EDI) standards for health care. These standards were established by the Secretary of Health and Human Services (HHS). Under this legislation, all trading partners (Counties and their contract agencies) must exchange electronic health care data with the California State Department of Mental Health (DMH) in mandated HIPAA format.

Once the new Integrated Behavioral Health Information System (IBHIS) is implemented by DMH, all transmission of clinical, financial and administrative data will be done using EDI between DMH and the Contract Agencies. To exchange data correctly and prevent miscommunication, each legal entity that exchanges data with DMH must be certified by DMH.

### **3 What Are The Benefits of EDI?**

#### Operational

- Improve accuracy
- Reduce data entry time and/or duplicate data entry
- Reduce or eliminate rework
- Reduce operational costs

#### Cultural

- Increase communication between healthcare organizations
- Improve relations with other organizations

## **4 How Do I Know That Information Will Be Secure Over the Internet?**

As part of the certification process, DMH will issue each trading partner a special code that will be installed by the trading partner. The special code is referred to as a Digital Certificate. The Digital Certificate will be used to verify that the trading partner is actually the organization authorized to send EDI transactions to DMH. Without the correct information, EDI information will not be transmitted.

A trading partner is any contract agency, billing service, clearinghouse, consultant, or software vendor conducting electronic business with DMH.

The EDI data is also coded (referred to as encrypted) to provide another level of security. The encrypted data will only be understood by trading partners with the correct validation or decoding tools. To begin testing, each trading partner will be issued a Test Digital Certificate. Once the trading partner is ready to send Production EDI transactions, a Production Digital Certificate will be issued.

## **5 What Do You Need to Bill Electronic Claims?**

To send (submit) electronic claims to DMH, you need HIPAA compliant billing software and a high-speed internet connection to submit the claims electronically.

### **Hardware/Software Requirements**

There are many different products that can be used to bill electronically. As long as you have the capability to send EDI claims to DMH, whether through direct submission or through another clearinghouse/vendor, you can submit claims electronically. If you have an existing computer, contact your vendor to verify if your computer system is adequate to perform EDI of claims and attachments. You will need Internet Explorer 5.5 or higher.

### **Communication Requirements:**

You will need is a broadband Internet connection using Digital Subscriber Line (DSL) or cable, which will allow you to communicate using the internet. Dial-up is not supported.

### **Access Requirements:**

Contract Agencies need to have an RSA SecureID card to access the Integrated System (IS) to create episodes or add/update clients. Please click on the link provided below to get instructions to access the IS:

[http://dmh.lacounty.gov/hipaa/downloads/IS\\_LOGON\\_INSTRUCTIONS\\_RSA\\_SECUREID.pdf](http://dmh.lacounty.gov/hipaa/downloads/IS_LOGON_INSTRUCTIONS_RSA_SECUREID.pdf)

## **6 How Do I Know if My Organization is Ready for EDI?**

Determine your business processes and what your requirements are well before you meet with a vendor. Create a document that clearly defines what your needs are.

Conduct an organization readiness assessment using the tools described in the following website:

[http://dmh.lacounty.gov/hipaa/documents/FFS\\_Issues\\_Workgroup\\_-\\_March\\_23,\\_2011\\_Presentations\\_and\\_Meeting\\_Handout.pdf](http://dmh.lacounty.gov/hipaa/documents/FFS_Issues_Workgroup_-_March_23,_2011_Presentations_and_Meeting_Handout.pdf)

Select the EDI Transition, package selection item on the agenda.

Determine what your budget is including software and hardware costs such as computers and internet connection, IT staff/consultant time, and annual software maintenance cost.

Use the Network Provider Transition Team (CPTT) contract agency list to network with other agencies regarding systems they have in place.

A successful EDI implementation requires not only good planning, but a will to change and a determination to succeed with all the participants in your company as well as your trading partners

## **7 What Factors or Options are Currently Available in Selecting an EDI Approach?**

There are several ways to bill claims electronically, but it is important to select HIPAA compliant billing software. Whether you choose to bill electronic claims directly using vendor software or contract with a billing agency or clearinghouse to submit claims on your behalf, a wide array of options are available to help you determine the electronic claim solution best suited for your practice.

Confused about which software approach is right for you? Here are some considerations.

### **1) Billing Service**

A billing service company enters information into their own computer and transmits the created claims directly to DMH for processing. The contract agency is then charged a fee for each claim submitted. There are many different types of billing services that can tailor to your agencies specific needs.

### **Pros of using Billing Service:**

- Billing service employees are often better trained than those in contract agencies
- Denied claims are followed up in a timely fashion
- Electronic claims processing to DMH payers in addition to Medi-Cal
- Independent review of billing activities

### **Cons of using Billing Service:**

- If claim processing follow up is not included with the service, the contract agency must manage it in-house which can lead to increased staffing overhead offsetting the benefits of using a billing service in the first place
- There are several different approaches to rate structures and fees so be very clear as to the pricing model for your organization
- Billing service may not be willing to submit customized clinical transactions

## **2) Clearinghouse**

A clearinghouse is a company that submits claims to DMH on behalf of a contract agency. When you use a clearinghouse to submit your electronic claims, the claim data is first sent from your computer or manually to the clearinghouse. The clearinghouse performs a series of validation checks on the claim and then forwards it to the DMH Secure File Transfer Protocol (SFTP) server.

### **Pros of using a Clearinghouse:**

- All claims are sent to a single location; the clearinghouse forwards them to DMH
- Staff claim preparation time is reduced

### **Cons of using Clearinghouse:**

- You will rely on the clearinghouse for submitting claims to DMH.
- Service fees are an additional expense.
- A particular clearinghouse might not be able to process all of the HIPAA standard transactions or customized clinical transactions

## **3) Vendor Software**

Some vendor software can provide either Application Service Provider (ASP) model sometimes referred to as Software As A Service (SaaS) or In-house Hosted System or it offers both solutions. Both options provide secure, reliable solutions and each option has its distinct advantages and disadvantages. The current Integrated System (IS) is similar to an ASP except there is no direct monthly charge to the contract agency for using the IS.

**You may be best served by an ASP if you are:**

- A contract agency with limited financial capital for start-up costs, but can afford a monthly lease agreement.
- A contract agency with no one in your office to handle technical problems.
- A contract agency that is unwilling or unprepared to do the self-education required to maintain a network, equipment or other tools required for an in-house solution.

**Pros of using ASPs include:**

- Lower initial/implementation costs.
- Ongoing upgrades, servicing and regular maintenance are included in your monthly lease agreement.
- Recovery of lost data and backups of data are the responsibility of the ASP.
- You have the potential to “test drive” the ASP since you will not be buying the hardware or software you are using, but you will pay a regular fee for its use.

**Cons of using ASPs include:**

- Risk of data being inaccessible in the event the company goes bankrupt. You do not store your data on your premises.
- Risk of company not performing routine maintenance (backup, updates, performance enhancements) as promised.
- Dependent on internet connection. If your internet connection goes down you cannot use your system.

Keep in mind that you will engage contractually with an ASP, and that you will have little ability to tailor the system to your needs after the contract is in place.

**It may make sense to invest in a server and manage your In-house Hosted System if you are:**

- A contract agency with an existing technology support staff.
- A contract agency with a technology expert in-house.
- A contract agency with significant financial resources for start-up costs and that is ready to invest in hardware.

**Pros of using In-house Hosted System:**

- Having network bandwidth to yourself (i.e., you will not have to share your network resources with the other clients of your ASP).
- More independence regarding integration with your existing software (i.e. you can integrate these things yourself).
- More control over maintenance and upgrade schedules.

- Being able to easily (if you have the financial resources) change the parameters of your server adding more space or more PCs to your practice.

Keep in mind that if you choose the In-house Hosted System, the vendor and its technical support staff will handle questions related to the software; you will handle the questions related to the server or the hardware. You will have much larger set-up costs but may see the benefit of smaller ongoing costs than the ASP-served practice.

**Cons of using an In-house Hosted System include:**

- Higher upfront cost of ownership as a server and a software license(s) must be purchased upfront
- Enters into maintenance agreements with the vendor for on-going support and upgrades
- Holds responsibility for data security, back-up and recovery

Some consider ASP based system to be the future however many offices find they do not have the need for remote access and do not want to put their data in the hands of another company making In-house Hosted System still a popular choice. In most cases, if a contract agency has multiple locations an ASP system should always be considered. If a contract agency requires high-performance and does not have multiple locations the In-house Hosted System might be the better solution

**4) Billing with Software Written by Your Company**

Contract agencies may develop their own software for electronic claims filing. This software must comply with the electronic standards as adopted under HIPAA. However, it is not a recommended approach due to cost and timeframe for custom software development.

**5) List of Production EDI Vendors Certified with DMH**

There is a list of currently certified vendors, clearinghouses and billers on the EDI Website. These companies have been certified to submit production EDI claim transactions to the Integrated System (IS) at DMH. The link is:

[http://dmh.lacounty.gov/hipaa/documents/EDI/Production\\_EDI\\_Vendor\\_List.pdf](http://dmh.lacounty.gov/hipaa/documents/EDI/Production_EDI_Vendor_List.pdf)

**6) Vendor/Biller Selection Criteria Checklist**

The following link contains a checklist of suggested selection criteria to assist in matching your business requirements to potential vendors/billers. The link is:

[http://dmh.lacounty.gov/hipaa/documents/Vendor\\_Biller\\_Selection\\_Criteria\\_Checklist.pdf](http://dmh.lacounty.gov/hipaa/documents/Vendor_Biller_Selection_Criteria_Checklist.pdf)

## 8 How Do I Get Started?

If you are currently using the Direct Data Entry (DDE) version of the Integrated System and are planning to move to EDI, please proceed to Step 2. If you are a new network provider, you will need to complete the process described in Step 1.

### Step 1.

To begin the EDI process, users must access the Integrated System (IS) via your Internet browser with the following address:

[http://dmh.lacounty.gov/hipaa/ffs\\_GettingStarte.htm](http://dmh.lacounty.gov/hipaa/ffs_GettingStarte.htm)

Click on the IS Forms link to download the required and appropriate forms for access to the IS System (see list of forms below). Test your Secure ID Card and assigned DMH logins when you receive them.

<b>Integrated System Access Forms:</b>
<input type="checkbox"/> Authorization to Sign CIOB Access Forms
<input type="checkbox"/> Applications Access Form (Instructions & Sample are available as links)
<input type="checkbox"/> Applications Access Form Attachment
<input type="checkbox"/> Integrated System Access Roles
<input type="checkbox"/> Confidentiality Oath
<b>Network Access Forms (for Contractor/Vendor):</b>
<input type="checkbox"/> Downey Data Center Registration/Non-County *
<input type="checkbox"/> SecurID Renewal Non-County *
* Sample form also available on website's "IS Forms" link
<b>Service Delivery Staff Forms:</b>
<input type="checkbox"/> Rendering Provider Form (Instructions & Sample are available as links)
<input type="checkbox"/> Rendering Provider Form Attachment

### Step 2.

Click on EDI/Secure File Transfer link to download required and appropriate forms (see list of forms below). The EDI Registration process can be found by using the following link:

[http://dmh.lacounty.gov/hipaa/documents/EDI/EDI\\_Registration\\_Packet.pdf](http://dmh.lacounty.gov/hipaa/documents/EDI/EDI_Registration_Packet.pdf)

<b>EDI Enrollment Forms:</b>
<input type="checkbox"/> <b>EDI Agreement</b> – specify the type of transaction a legal entity contractor or FFS provider will send and receive via EDI.
<input type="checkbox"/> <b>Electronic Trading Partner Agreement &amp; Electronic Trading Partner Information</b> – a written agreement between DMH and the trading partner to exchange information and data electronically.
<input type="checkbox"/> <b>Trading Partner Agent Authorization</b> – an agreement between DMH and trading partner acknowledging a designated agent with authorization to submit and receive data transmissions.
<input type="checkbox"/> <b>Trading Partner or Agent Digital Certification Request</b> – a request by a trading partner or its agents for a digital certificate.
<input type="checkbox"/> <b>Legal Entity Data Extract Request</b> – a request by a contract agency to receive the DMH Secure Internet File Transfer (SIFT) data.

### Step 3.

Provide DMH a verification of Third Party Vendor Certification for software to be used (Helpful hint: see EDI - HIPAA Third Party Certification document). The link is:

<http://dmh.lacounty.gov/hipaa/downloads/EDIThirdPartyCertificationProcess.pdf>

If you have selected a vendor that is already submitting EDI transactions in production to the IS, your vendor will not be required to submit another Third Party Vendor Certification unless you are submitting new HIPAA transaction formats.

### Step 4.

Receive items from DMH needed for testing your EDI transactions.

- Digital Certificate for EDI Test Environment
- EDI envelope (ISA06, GS02, etc)
- Website links (URL) / User IDs
- EDI instructions and tutorials

### Step 5.

Send Test transaction via Valicert (See EDI - Testing document for more details). The link is: <http://dmh.lacounty.gov/hipaa/downloads/EDITesting.pdf>

- Claim Submission (837P - Professional or 837I - Institutional)

### **Step 7.**

Receive and review test results (must pass HIPAA requirements and IS Rules)

### **Step 8.**

DMH EDI testing requires three additional successful test results after initial success (to confirm software consistency/reliability)

### **Step 9.**

After completing all above steps, remove the Test Digital Certificate and install the Production Digital Certificate in order to submit claims in production environment.

## **9 How Does Electronic Claims Transmission Work?**

The process is actually simple. Rather than entering services via Direct Data Entry (DDE) into the Integrated System (IS), the same information is transmitted electronically through the internet.

- Clinical services are entered into a contract agency's own system
- Clinical services are used to create claims
- The vendor software/clearinghouse will edit the claims and send you a report to notify you of any errors they find
- Errors must be corrected and the claims must be resubmitted electronically
- Claims without errors are forwarded to DMH for processing and additional editing
- The IS also edits the claims and provides information to fix the errors
- IS errors must also be corrected prior to sending the claims to other payers such as Medi-Cal

## **10 What EDI Changes Will Occur When IBHIS is Implemented?**

Once the Integrated Behavioral Health Information System (IBHIS) is implemented at DMH, Network Providers need to move from Direct Data Entry (DDE) to Electronic Data Interchange (EDI) to submit their claims, clinical information, and other administrative information.

Data exchange requirements will be developed for clinical data, financial data and other administrative data. The data exchange will include the standard ANSI X.12N HIPAA compliant transactions, HL7 transactions and XML data. The actual data exchange format and content will be delivered to Network Providers by DMH in a format such as the current Companion Guide.